Mike Sandler

For the Public Record

April 15, 2013

To: Ways and Means Committee, Energy Tax Reform Working Group

Re: Comments: Mike Sandler Energy Tax Reform Working Group

Thank you for accepting these comments on Energy Tax Reform. I am submitting them as a private citizen, but these points have been promoted by the Interfaith Power & Light coalition of faith organizations (www.InterfaithPowerandLight.org).

Energy Efficiency: Tax Reform Proposals

In reforming tax policy, Interfaith Power & Light (IPL) believes we should identify the policies that are working and delivering real environmental and economic benefits. Energy efficiency tax incentives for buildings, industry and manufacturing deliver results and they should be retained but reformed. Tax incentives remain an effective mechanism to increase clean energy investment and innovation and reduce emissions – they should not be abandoned but are in need of updating. Efficiency tax policy should be designed around the following principles:

• Deliver Innovation in buildings and manufacturing, with tough qualification

• Reward based on performance and not cost

• Be technology neutral

• Be regularly updated to continue to drive innovation.

The cheapest and cleanest energy resource is the energy we don’t have to use. Despite the many benefits of energy efficiency, energy efficiency opportunities are not always implemented due to a variety of market failures. Tax incentives for energy efficiency help overcome these market barriers by reducing upfront costs and helping transform markets for new technologies and practices. In addition to reducing pollution and saving money for consumers and businesses, energy efficiency incentives have the added benefits of creating jobs. As utility bill savings are spent in other parts of the economy it stimulates growth and can also increase tax revenue. As stewards of Creation, we must do better if we are to avoid the worst impacts of climate change. Our children deserve a stable climate and a sustainable future. Tax incentives remain an effective way to implement smart energy efficiency measures.

The following energy efficiency tax incentives* should be reformed so that they are performance based, technology neutral and updated periodically.

Energy Efficiency Appliance Credit – Section 45M

What: The Energy Efficiency Appliance Credit, which provides manufacturers a credit for appliances meeting specified energy efficiency performance criteria.

Reforms: The credit should be extended for two years with modifications in accordance with a 2010 agreement between domestic manufacturers and energy efficiency advocates. Specifically, he lowest efficiency tier credits for clothes washers and dishwashers that were in effect in 2011 should be eliminated while the top two tiers for dishwashers and refrigerators as well as the top tier for clothes washers should be extended.

Energy Efficient Commercial and Multi---family Buildings – Section 179D

What: The Energy Efficient Commercial Buildings Tax Deduction under the Commercial Building Modernization Act. Currently set to expire at the end of 2013, the 179D tax deduction provision should be extended with the following modifications.

Reforms: Change the current deduction to further encourage retrofits of existing commercial and multi---family buildings by:

• Measuring energy savings compared to the building's current consumption base line as opposed to the energy code for new construction

• Offering incentives on a sliding scale that increases with energy savings

• Allowing a broader range (Real Estate Investment Trusts and other commercial building stakeholders) to be able to claim the deduction

• Updating the ASHRAE code baseline for new construction and increasing the minimum energy reduction requirements for both new and existing buildings

• Rewarding both the implementation of efficiency measures and the energy savings

Energy Efficient Home Renovation – Section 25C

What: A residential energy efficient property credit that provides homeowners with a tax credit for various types of residential energy efficiency improvements, including insulation, windows, doors, water heaters, and HVAC equipment. Reforms: In order to leverage taxpayer dollars more strategically and effectively, Section 25C should be modified and extended based on the following:

• Pay for performance rather than the cost of the energy efficiency measure.

• Provide a pathway that is entirely performance---based and rewards whole---home energy savings (such as the incentives proposed in S. 1914).

• Include limited incentives for the highest efficiency heating, cooling and water heating equipment and windows, targeting equipment that has approximately a 10 percent market share or less. Congress should increase the criteria for windows to those specified in the Energy Star Most Efficient program. Congress should also direct the Department of Energy to report annually on the market share for all prescriptive incentives in Section 25C, so that once a product reaches beyond 10 percent of the market, the efficiency criteria would be revised to continue driving higher levels of efficiency and avoid paying for purchases that would have happened anyway.

Energy Efficient New Homes – Section 45L

What: The New Energy Efficient Home Credit, which provides taxpayers a credit of up to $2,000 for the construction of new energy efficient homes.

Reforms: The credit for homes that meet the provision's current efficiency criteria should be extended for one year, while a higher efficiency tier should be added that would give a greater incentive amount to the most efficient homes (lasting four years).

* Based on technical and policy expertise of the Natural Resources Defense Council.